

Commissioners Minutes

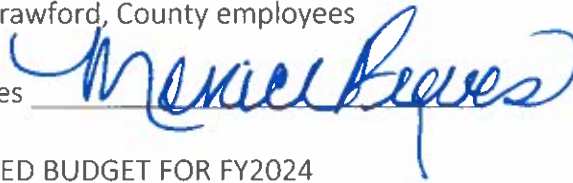
August 4, 2023 - 9:31 a.m. to 10:04 a.m.

**RECEIVE CLERK'S SUGGESTED BUDGET FOR FY2024**

Commissioners Brad Holton and Zach Brooks

COO Greg Rast, Clerk Chris Yamamoto, Controller Zach Wagoner, Auditing Supervisor Sarah Winslow, Assessor Brian Stender, Chief Deputy Assessor Joe Cox, Senior System Analyst Steve Onofrei, Prosecuting Attorney Bryan Taylor, PA Office Manager Melinda Longoria, Elections Supervisor Haley Hicks, Elections Specialist Brandi Long, HR Director Kate Rice, Wage and Compensation Analyst Bosco Baldwin, HR Generalist Jennifer Allen, HR Generalist Demi Etheridge, HR Investigator Rich Soto, Fleet Director Mark Tolman, Captain Harold Patchett, Fair Director Diana Sinner, Juvenile Probation Director Elda Catalano, Parks Director Nicki Schwend, DSD Director Sabrina Minshall, Juvenile Detention Center Director Sean Brown, Public Defender Aaron Bazzoli, Coroner Jennifer Crawford, County employees

Deputy Clerk Monica Reeves



RECEIVE CLERK'S SUGGESTED BUDGET FOR FY2024

The Board met today at 9:31 a.m. to receive the Clerk's suggested budget for FY2024. Present were: Commissioners Brad Holton and Zach Brooks, COO Greg Rast, Clerk Chris Yamamoto, Controller Zach Wagoner, Auditing Supervisor Sarah Winslow, Assessor Brian Stender, Chief Deputy Assessor Joe Cox, Senior System Analyst Steve Onofrei, Prosecuting Attorney Bryan Taylor, PA Office Manager Melinda Longoria, Elections Supervisor Haley Hicks, Elections Specialist Brandi Long, HR Director Kate Rice, Wage and Compensation Analyst Bosco Baldwin, HR Generalist Jennifer Allen, HR Generalist Demi Etheridge, HR Investigator Rich Soto, Fleet Director Mark Tolman, Captain Harold Patchett, Fair Director Diana Sinner, Juvenile Probation Director Elda Catalano, Parks Director Nicki Schwend, DSD Director Sabrina Minshall, Juvenile Detention Center Director Sean Brown, Public Defender Aaron Bazzoli, Coroner Jennifer Crawford, County employees, and Deputy Clerk Monica Reeves. (Commissioner Leslie Van Beek had an appointment and was not present for this meeting.)

Controller Wagoner presented the Board with a handout, a copy of which is on file with this day's minute entry. He said the department administrators and elected officials have done a first-class job explaining, defending, and articulating the needs and wants behind the FY2024 budget request. The requested projects require cash and the County's revenue is not strong at the moment. The revenue streams are in a period of weakness; we are seeing declines, decreases in revenue in multiple areas, such as:

- Material deposited at the landfill is a good indicator of the overall economy and year over year, the material deposited at the landfill is down.
- The state shared sales tax revenue has been declining the past few months, something we haven't experienced for an extended period of time.

Revenues are vital to providing the cash to pay the bills and we are operating currently in a weak revenue environment.

There was a review of the expenditures from October 1 through July 31 for the past five (5) fiscal years. Year over year our expenditures have increased \$10M. Our spending for salaries and benefits has increased over \$9M and our spending for other operating activities increased almost \$2M and our capital spending is down \$1M. Over the course of two years our spending for governmental funds has increased approximately \$20M in two years.

Our year over year revenues for governmental funds have decreased by \$15M, the majority of that is property tax. We anticipated that and chose to lower the property tax budget for 2024 and we expected it to be lower, but our other revenues outside of property tax are down over \$1M year over year.

The cash balances of governmental funds have decreased \$12M in six months.

There was a review of the current FY2024 working budget - governmental funds. It does not include any ARPA activity, or landfill enterprise activity. For 2024 the County has the authority to levy over \$54M in property tax and it would include the increase available for new construction, the 3% amount, and the increase for the dissolution for the revenue allocation area associated with the Caldwell Urban Renewal. The total revenue for government funds is \$103,790,119. The expenditures including salaries and benefits, new position requests, and the proposed compensation plan is \$90,203,644. There is also \$7.2M for capital investments. The total for all expenditures for the current working budget for governmental funds is \$123,624,903. Budgeted expenditures exceed revenues by \$20M.

The FY2023 salaries and benefits budget was \$83,832,408. There have been midyear compensation adjustments; new/reclassified position requests; and the proposed 2024 compensation plan bringing the 2024 working salaries and benefits budget to \$90,203,644.

Other significant requests in the "B" Budget total \$14,470,196

Options:

- Adjust expenditures including:
  - Thoughtful consideration of human capital investment
  - Prioritization of essential capital projects
  - Maximize outside funding sources such as grants, state and federal monies
- Utilize fund balance:
  - The County still has healthy, sufficient amounts of fund balance. Fund balance is not a long-term viable solution.
  - We are projecting for our governmental funds to end FY2023 with \$48M in fund balance and that would be approx. 44% of annual spending, which is still a healthy amount of fund balance.

- Supplement revenue with ARPA monies:
  - Our revenue streams have been greatly disrupted by COVID-19 so the County's ARPA money can be used to provide essential government services.
  - Currently there has been discussion about ARPA monies for capital investments and ARPA monies are not an ongoing permanent source of funding.
- Request previously forgone property tax revenues:
  - In prior years when the County has not requested the 3% on new construction, we have accumulated a forgone balance and we can request \$2.2M of forgone property tax on top of the \$54M

#### **Clerk's Suggested Budget for FY2024:**

##### **Fiscal Responsibility**

County revenues across multiple functions have decreased year over year

DSD revenues are down 33%

Recording fees are down 34%

Motor vehicle revenues are down 15%

Property tax revenue is down 25%

Sufficient cash flow from operations and other revenues are vital to funding ongoing operations. Statewide shared sales tax revenue was down 7% in April, down 4% in May, and it was 1% higher in June. The County burnt through \$12M in cash the first six months of calendar year 2023.

The Clerk's suggested budget includes maintaining our previous investments in personnel. From FY2018 to FY2022, our payroll spending increased \$7.5M. In one year our payroll spending has increased \$9M partly due to having 35 more occupied fulltime positions today compared to the prior year. County personnel are vital and they provide first-rate public services and we must continue to maintain that investment in our personnel.

Year over year our other operating spending has increased almost \$2M. Inflationary factors and resumption of travel, training, and other economic activities have increased spending. Spending on vendor provided medical and food services have increased.

The Clerk recommends a judicious capital investment program and mindful evaluation and prioritization of capital needs; maximizing funding from sources from grants, federal and state governments, and outside sources to benefit property taxpayers; as well as careful consideration and balance of long-term needs and current economic conditions.

Controller Wagoner reviewed in more detail the revenues and expenditures:

Revenues are \$104,260,119, including \$54M in property tax (3% increase, new construction increase and the increase from the revenue allocation area expiring).

On the expenditures side the suggestion is to roll forward with the approved 2023 salaries and benefits budget of \$83,832,408, and they recommend trimming some of the capital projects, and adjusting the "B" Budgets down for the total expenditures budget for governmental funds would

be \$111,078,353. This would require a utilization of almost \$7M of fund balance to balance the budget.

Significant other operating expenditures and capital projects included in the Clerk's suggested budget total \$10,118,632, and include CCSO police vehicles; some of the grant-funded projects (Parks boater improvement project; County Fair site improvement project that's funded with Caldwell Urban Renewal funds; and a rescue boat for waterways that is grand funded as well), as well as some other projects/expenses.

Commissioner Brooks asked if the Clerk's suggested budget recommends no compensation increase and no new positions. Controller Wagoner said that is correct, they are recommending we maintain the same budget for salaries and benefits that was in place for FY2023.

There was a review of some charts that detail the funding sources with approximately 49% of the funding coming from property tax, and on the spending side approximately 75% of the budget is for salaries and benefits.

There was a review of the detail regarding the ARPA monies slated for capital investments:

Warehouse and animal shelter	\$ 4,100,000
Elections building	\$ 4,527,500
Administration building	<u>\$28,025,250</u>
Total ARPA projects	\$36,652,750

For the landfill enterprise fund revenues are at \$8,392,832 and expenditures are at \$8,514,703.

The grand total for governmental funds, ARPA, and landfill enterprise fund is \$149, 305,701 with total expenditures at \$156,245,806, and a reliance on fund balance to balance the budget of \$6,940,105.

Controller Wagoner said revenues and expenditures are monitored consistently and they have seen weakness in our revenue streams and they hope that improves. The County's cash position, fund balance, is stable and strong. We need to be cautious of the revenues that provide the cash to pay the bills and they hope to see improvement and a positive trend in those revenue streams.

Clerk Yamamoto said he has been warning about this revenue slide for some time but it came quicker and more severe than he anticipated. The suggested budget is a way to minimize, but we cannot absorb a \$20M deficit. Over the years we have saved the taxpayers many millions of dollars and we have cut budgets at times to the tune of \$5M in less property taxes and this last year it was \$14M less in property tax. They have tried to do what they could do for the property taxpayer hoping that legislatively there would be some things to help out and we do have some of that at this point but it remains to be seen exactly how that will work out. With \$7M fund balance to balance the budget we will have to have significant discussions but it could be that for the first time in years we may have to look at the forgone amount.

Commissioner Brooks said Page 5 of the handout has the salaries and benefits budget which is the same number that was suggested to be carried over, but then there is the mid-year compensation adjustment - what happened to those? Controller Wagoner said with the current projection for FY2023 budget-wise we will be approximately \$5M under budget on salaries and benefits. To his recollection there was no formal increase in the FY2023 salaries and benefits budget, during this fiscal year there has been no new unanticipated revenue or funding source identified - we will operate within the FY2023 budget and it appears that is going to work. There will be budgetary savings on the salary and benefits side. There is no new unanticipated revenue or increase in the 2023 budget and it is working now. Commissioner Brooks asked where the \$1.7M is going and asked if the Clerk is proposing that it goes away for FY2024? Controller Wagoner said no, they are proposing no change to the salaries and benefits budget for 2023. Commissioner Brooks asked where the \$1.7M gets carried over into the suggested budget. Controller Wagoner said to his knowledge there was no increase in the 2023 budget when those were approved; there was no new funding source or unanticipated revenue, we just funded those with budgetary savings in 2023.

Clerk Yamamoto said it should be noted that with the increases in compensation the intended purpose was to create a better hiring environment and better retention of employees and it worked and consequently we are seeing more expenditures on the "A" Budget side because we have retained more people and hired more people. In the past with budgets we knew we were going to be as much as \$2M under budget on "A" Budgets, but that has dwindled on purpose.

COO Rast asked if the \$83.8M amount that's carried over from FY2023 to FY2024 in the proposed, and the \$5M under budget was on salaries and benefits savings to this day to consume the \$1.7M is what they are thinking in FY2024? Would it be safe to say if we had zero vacancies in FY2024 we would be short? Controller Wagoner said if we had every position filled every day we would likely be short. Clerk Yamamoto said in the past we've operated with a budget that relied on 10% of the fund balance to balance the budget knowing full well that that wasn't going to happen but given what we have to work with now that scenario is history. To address Mr. Rast's point, the 10% unfunded will probably have to go away. Controller Wagoner said there are currently approximately 50 positions that are approved but vacant and over the past few years there have been on average 50-100 positions that have been vacant consistently. Sometime before the third week in August we will need to publish a tentative budget. The budget hearing is August 30, 2023. Commissioner Holton said the Board appreciates the work the Clerk and Controller put into the budget and he said the Board will take it under advisement and will work together on it. The meeting concluded at 10:04 a.m. An audio recording is on file in the Commissioners' Office.